



Judicial Council of California

Administrative Office of the Courts

Trial Court Financial Policies and Procedures

Policy No.
Page

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FUND ACCOUNTING

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Fund Accounting

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2.0 Purpose

(Original 8/01)

The purpose of this policy is to establish uniform guidelines by which the trial court establishes “funds” and maintains accountability over the public resources used to finance its operations.

3.0 Policy Statement

(Revised 9/10)

As a publicly funded entity, the trial court must ensure that the monies allocated to it by the state and other sources are used efficiently. The AOC shall establish and maintain separate funds within the accounting system for the court as required by law and sound principles of financial administration to segregate the financial resources and allow for the detailed accounting and accurate reporting of the court’s financial operations.

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4.0 Application

(Original 8/01)

This procedure applies to all trial court employees and officials who are responsible for or participate in the financial operation of the court, the accounting for court revenues and expenses, and the collection and disbursement of court funds.

5.0 Definitions

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

Agency Fund(s)
Capital Projects Funds
Debt Service Funds
Enterprise Funds
Fiduciary
Fiduciary Fund
General Fund
Government Accounting Standards Board (GASB)
Governmental Funds
Internal Service Funds
Proprietary Funds
Special Revenue Funds
Trust Fund

6.0 Text

6.1 Funds and Fund Types

(Original 8/01)

1. It is a common practice for state and local governments and public agencies to account for their financial resources and report the results of their operations through the use of fund accounting. A

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“fund” is a complete set of accounting records designed to segregate various financial resources and maintain separate accountability for resources designated for specific uses. The establishment of discrete funds is beneficial in ensuring that public monies are only spent for approved and legitimate purposes.

(Revised 9/10)

2. GASB Statement No. 1 concerning the number of funds states:
*“Government units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established because unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration.”*¹

6.2 Basis of Accounting

(Revised 9/10)

The Basis of Accounting is the timing or recognition for financial reporting purposes i.e., when the effects of transactions or events should be recognized in financial statements.

Proprietary Funds and Fiduciary Funds focus on total economic resources. These funds employ the accrual basis of accounting, which recognizes increases and decreases in economic resources as soon as the underlying event or transaction occurs. Under accrual accounting, revenues are recognized as soon as they are earned and expenses are recognized as soon as a liability is incurred, regardless of the timing of related cash inflows and outflows.

Only Governmental Funds use the modified accrual basis of accounting, which recognizes increases and decreases in financial resources only to

¹ Section 1300, GASB Codification: National Council on Governmental Accounting Statement No. 1

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the extent that they reflect near-term inflows or outflows of cash. Revenue is recognized when earned, only so long as they are collectible within the period or soon enough afterwards to be used to pay liabilities of the current period. Expenditures are recognized when payments are due because it is only at that time that they normally are liquidated with expendable available financial resources.

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Classifications of Fund Types Available to Government Agencies

Classification	Fund Type	Purpose	Commonly Used by the Trial Courts	Basis of Accounting
Governmental Funds	General Fund	To account for all financial resources except those required to be accounted for in a separate fund.	Yes-to account for all funds received by the court except those that must be accounted for separately.	Modified Accrual
	Special Revenue Fund	To account for certain revenue sources "earmarked" for specific purposes.	Yes-to account for federal, state, local, and private grants.	Modified Accrual
	Debt Service Fund	To account for the accumulation of resources for and the payment of general long-term debt principal and interest.	No	Modified Accrual
	Capital Projects Fund	To account for financial resources used in the acquisition or construction of major capital facilities, other than those financed by proprietary funds and trust funds.	No	Modified Accrual
	Permanent Funds	To account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for the purpose that supports the reporting governmental program - that is, for the benefit of the governmental entity.	Yes-to account for endowments that require only earnings and not principal may be used for the purposes set forth in the endowment.	Modified Accrual
Proprietary Funds	Enterprise Fund	To account for operations that are financed and operated in a manner similar to private business enterprises.	No	Accrual
	Internal Service Fund	To account for the financing of goods or services provided by one department or agency to other departments or agencies or the governmental unit, or to other governmental units on a cost-reimbursement basis.	Yes-to account for the financing of goods or services provided by the trial court to another governmental entity, such as the county, on a cost reimbursement basis.	Accrual
Fiduciary Funds	Trust Fund	To account for funds held in a fiduciary capacity for a third-party (non-governmental) generally under a formal trust agreement.	Yes-to account for court orders requiring moneys to be held by the court until such time as a case is settled.	Accrual
	Agency Fund	To account for resources received by one government unit on behalf of a secondary governmental unit.	Yes-to account for fines, fees, etc. collected by the court on behalf of others.	Accrual
	Pension Trust Funds (and other Employee Benefits)	To account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.	Yes-to account for moneys held in irrevocable trusts used specifically for qualified pension and other employee benefit plans.	Accrual

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6.3 Trial Court Operations Fund

(Revised 9/10)

1. The Trial Court Operations Fund is used to account for the financial activities associated with the monies held by and under the control of the court.
2. The Trial Court Operations Fund is treated as a general fund type under the Governmental Funds classification.
3. All state funding, whether out of the Trial Court Trust Fund, Judicial Administration Efficiency and Modernization Fund or Trial Court Improvement Fund shall be recorded in the Trial Court Operations Fund.
4. An accounting structure including elements such as Programs, Organizations, Object and Sub-Object accounts and revenue sources have been established to allow the court to account separately for various court programs and activities.
5. Money from the Trial Court Operations Fund must only be used for trial court operations as defined in GC 77003 and 77006.5, and for services purchased by the court as set forth in GC 77212 (b) and (c).
6. The Presiding Judge or his or her written designee shall authorize and direct expenditures from the Trial Court Operations Fund. County approval is not required for expenditures from the account.
7. The Trial Court Operations Fund along with all other applicable funds shall be used to report the court's financial activities in the Quarterly Financial Statements (QFS) and the State Comprehensive Annual Financial Report (CAFR) information provided to the state.

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6.4 Special Revenue Funds

(Revised 9/10)

1. Special Revenue Funds are used to account for the activities related to specific revenue sources and are legally restricted to expenditures for specified purposes. Trial court operations may include activities that are funded by federal, state, local governmental or private grants. Most grants specifically define the purposes for which grant funds may be used. In many cases, the grants are reimbursement type agreements that require the court to document its costs to receive payment. These are generally defined as expense-driven grants.
 - a. The trial court must establish and maintain Special Revenue Funds to separately account for revenues and expenditures related to grant and other legally restricted activities.
 - b. Revenues and expenditures under these funds shall not be commingled with the Trial Court Operations Fund.
 - c. The trial court Special Revenue Funds shall be reported in the Trial Court Operations Fund in the Quarterly Financial Statements (QFS) and the State Comprehensive Annual Financial Report (CAFR) information provided to the state.
 - d. Additional information and the reporting requirements for grant funded operations are provided in AOC Policy No. FIN 5.03 Grant Accounting and Administration.

6.5 Agency Funds

(Revised 9/10)

1. Trial court operations may include activities that the court conducts on behalf of other government entities such as the county. Examples of these activities are the collection and holding of bail bond money, permit deposits, fines, fee assessments, etc. In instances where the court is holding money in a fiduciary capacity for another governmental entity:

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- a. The trial court must establish and maintain Agency Funds to account for court activities conducted on behalf of other governmental units.
- b. The trial court shall report these activities as balance sheet items in the CAFR.

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7.0 Associated Documents

(Original 8/01)

None